LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
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FISCAL IMPACT STATEMENT

LS 6680 **DATE PREPARED:** Feb 18, 2000
BILL NUMBER: HB 1283 **BILL AMENDED:** Feb 17, 2000

SUBJECT: Teacher retirement contributions.

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FUNDS AFFECTED: GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill allows a member of the Indiana State Teachers' Retirement Fund TRF or the Public Employees' Retirement Fund PERF to make contributions to the member's annuity savings account in addition to the member's required contributions. It provides that the total amount contributed by a member (including any amounts contributed on behalf of the member) may not exceed 10% of the member's compensation. The bill allows an employer to pick-up and pay these additional contributions made by a PERF or TRF member to the member's annuity savings account. It requires the employer to reduce the member's compensation by an amount equal to the amount of the member's contributions that are picked-up by the employer in this manner.

Effective Date: July 1, 2000.

Explanation of State Expenditures: (Revised) Benefits received by a retired member of the (TRF) are derived from two sources: (1) a pension funded by the State for members of the Pre-1996 Account and by the employer (the state of the local school corporation) for members of the 1996 Account; and (2) an annuity savings account that is financed by the employee. Members are required to contribute 3% of their compensation to TRF. However, local school corporations are given the option of making the contribution on behalf of their employees.

Benefits received by a retired member of the PERF are derived from two sources: (1) a pension funded by the State and (2) an annuity savings account that is financed by the employee. Members are required to contribute 3% of their compensation to PERF. However, the State makes this contribution on behalf of State employees, and local political subdivisions are given the option of make the contribution on behalf of their employees.

The provisions of this bill will not affect the pension portion, only the employee financed annuity savings account. As a result, there will be no fiscal impact on the State. However, for the TRF and PERF, there may be additional administrative staff time devoted to the handling of the additional annuity savings account contributions. The fund affected is the Gross Investment Earnings account from which are paid administrative and investment expenses for TRF . The fund affected for PERF is the Gross Investment Earnings account from which are paid administrative and investment expenses.

Explanation of State Revenues: (Revised) To the extent that contributions are pre-tax, there may be a slight reduction in revenue from the Individual Adjusted Gross Income Tax. The fund affected is the State General Fund.

Explanation of Local Expenditures: See Explanation of State Expenditures above.

Explanation of Local Revenues:

State Agencies Affected: Teachers' Retirement Fund; Public Employees Retirement Fund.

Local Agencies Affected: Local School Corporations; cities, towns, and counties with members in PERF.

Information Sources: